

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 OMB-01 TRSE-00

DOTE-00 SS-20 NSC-10 DRC-01 /092 W

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R 011901Z FEB 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0133

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E. O. 11652: N/A

TAGS: ETRN, GW

SUBJECT: CIVAIR - ALLEGED LUFTHANSA SUBSIDY

REF: STATE 020615

1. INDUSTRY REPORTS ALLEGING ONE-TIME FRG SUBSIDY TO LUFTHANSA TO OFFSET LOSSES INCURRED DUE TO AIR TRAFFIC CONTROLLER SLOW DOWN IN 1973 ARE NOT TECHNICALLY ACCURATE, AND OVERSIMPLIFY THE CASE. DURING THE PAST FEW YEARS, THE FEDERAL BUDGET HAS PROVIDED UP TO DM 90 MILLION ANNUALLY FOR INVESTMENT LOANS TO DLH. DUE TO FAVORABLE ECONOMIC AND OPERATIONAL DEVELOPMENTS, THIS SUM WAS LIMITED TO DM 65 MILLION ANNUALLY FOR 1972 AND 1973. IN VIEW OF THE DETERIORATING SITUATION ON THE CAPITAL MARKET AND THE FACT THAT OPERATIONAL DEVELOPMENTS AND REVENUES LAGGED FAR BEHIND EXPECTATIONS, THE FEDERAL GOVERNMENT DECIDED TO AUGMENT THE 1973 LOAN BY DM 35 MILLION. THIS ACTION WAS APPROVED IN DECEMBER 1973. THE FRG EMPHASIZED THAT THE MEASURE WAS UNAVOIDABLE DUE TO LEGALLY BINDING LONG-TERM COMMITMENTS ON THE PART OF LUFTHANSA.(MOSTLY, WE BELIEVE, FOR US COMMERCIAL AIRCRAFT PURCHASES.) THE FRG MAY LATER ON DECIDE TO CONVERT THIS LOAN BY INCREASING ITS SHARE OF THE STOCK IN DLH IF AND WHEN AN INCREASE IN THE CAPITAL

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STOCK IS VOTED.

2. EMBASSY IS UNAWARE OF ANY RECENT FRG FINANCING FOR LUFTHANSA OTHER THAN THE INVESTMENT LOAN BUT WILL REPORT IF THERE SHOULD BE NEW DEVELOPMENTS.

3. COMMENT: THE EXTENT TO WHICH THE INCREASE IN THE INVESTMENT LOAN AUTHORIZED MIGHT BE LINKED TO THE ATC CONTROLLERS' SLOWDOWN WOULD DEPEND ON THE PARTIALITY OF THE OBSERVER. OBVIOUSLY, THERE IS SOME CONNECTION BUT PRESUMABLY NOT IN A LEGAL SENSE, AND IT WOULD BE DIFFICULT TO QUANTIFY. THE FRG WOULD NOT, IN THE EMBASSY'S VIEW, GIVE A SUBSIDY TO LUFTHANSA WITH THE OBVIOUS INTENTION OF OFFSETTING LOSSES ATTRIBUTABLE TO THE ATC SLOWDOWN BECAUSE THIS MIGHT WELL OPEN THE WAY FOR SUITS AGAINST THE FRG BY OTHER CARRIERS WHO SUFFERED LOSSES.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, SUBSIDIES, AIRLINES, TRANSPORTATION SUBSIDIES, AIRCRAFT SALES, AIR TRAFFIC DATA, LOANS, DEVELOPMENT LOANS, INVESTMENT LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN01765  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740263/aaaachak.tel  
**Line Count:** 78  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 020615  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 MAY 2002 by ifshinsr>; APPROVED <03 JUN 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR - ALLEGED LUFTHANSA SUBSIDY  
**TAGS:** ETRN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005